

# American Saver

*You Can Build Wealth*

## America Saves Week Builds Momentum

The decision by the American Savings Education Council (ASEC) and Employee Benefits Research Institute (EBRI) to help organize America Saves Week 2008 ensures that next year's Week will include many more organizations promoting a broader array of savings goals and activities than this past year.

ASEC, the broadest savings coalition of national groups, and EBRI are leaders in seeking to advance more retirement saving, especially at work. They will complement the work of America Saves, which has focused more attention on the short-term savings goals of low- and moderate-income families, such as building emergency funds.

Also, ASEC will be adapting award-winning television and radio public service announcements for American Saves Week 2008. The distribution of these PSAs will be part of a broader media strategy that will include at least two press conferences. The first will reveal facts and opportunities about "saving at taxtime," the extent to which Americans save a portion of tax refunds and Earned Income Tax Credits, and the opportunity to do so through split refunds and other strategies. The second will announce the results of an analysis of the savings habits of American households.

Most America Saves Week 2008 activities, however, will be undertaken by hundreds of participating organizations that urge individuals to assess the adequacy of their savings and mitigate any deficiencies. Groups that are part of local and regional America Saves campaigns, the Cooperative State Research, Education, and Extension Service (CREES), United Way, Family, Career and Community Leaders of America (FCCCLA), the National Community Tax Coalition, and the Department of Defense (through Military Saves Week) have already begun organizing activities that will occur in the last week of February.

New support for the Week includes grants recently approved by Washington Mutual and Capital One. This funding will help cover the expenses of a new America Saves Week logo, website, materials for organizations, and materials for individuals.

## MILITARY SAVER

# Signing Up Savings Recruits

Five years ago, Erich Weber joined the military to protect and serve the nation. Five months ago, he joined Military Saves to build his personal wealth and encourage fellow Marines to do the same.

Hospital Corpsman Second Class Weber describes himself as financially savvy but admits to making money mistakes when he first enlisted. "I spent money on temporary things like restaurant meals, movies, and cover charges, and I know a lot of guys who still do. I didn't want to be the typical sailor – broke three days after getting paid – but it took me a couple of years to get my spending under control." So he thought about how he could help others learn from his mistakes, and he knew Military Saves could help.

He discovered the campaign while surfing Navy Knowledge, an online learning site. He emailed Military Saves Director Sarah Shirley to inquire about starting a campaign at Camp LeJeune, North Carolina, where he's been stationed for over a year. After spending some time on MilitarySaves.com, reading through the material, he introduced Saves to his commanding officer. "The Sergeant Major told me to run with it, so that's what I'm doing."

Weber, who serves as a medical deep sea diving technician, got an early start on saving. As a teenager, he worked at Wendy's to save up for speed skates, one of several "expensive hobbies" he's had over the years. But he realizes everyone doesn't share that advantage. "We need to encourage people to develop the savings habit. If you can manage your financial life, it helps you in other ways," he said.

For those who claim it's too difficult to put money away, he points out that the military makes it easy to save through the Thrift Savings Plan (TSP), the government's retirement plan. "The TSP is awesome! It's a great stepping stone towards building wealth," he said. Weber saves automatically in another way. His savings account is linked to his



*"If you can manage your financial life, it helps you in other ways."*

Military Saver Erich Weber

checking account, and he tries to put away a few dollars each month.

Weber is already planning events on base to increase awareness of and enrollment in Military Saves. "I'm thinking of a pig roast. If you don't enroll, you don't eat." And he talks about the campaign every chance he gets. "I'm always telling guys to track their expenses or asking them if they have debt. I tell them to pay it down quick." He also plans to create a Military Saves bulletin board in the battalion that will feature ways to save, campaign updates, and upcoming Military Saves events.

Weber sees himself serving in the military for many years to come. "I love my work in the Marine Special Operations Command," he says. Once he retires from active duty, he hopes to continue educating people about the importance of savings. His future career plans? He hopes to build on what he has learned through Saves to become a financial advisor.



## Financial Market facts

### November 2007

Money market account	0.91%
1-year CD	3.61%
5-year CD	3.92%

### U.S. Savings Bonds

EE Bond	3.40%
I Bond	3.74%

### Mortgage Rates

30-year fixed rate mortgage	6.29%
15-year fixed rate mortgage	5.99%
5-year adjustable mortgage	6.22%

**Sources:** *The New York Times*, "Data Bank," pg. BU 11, November 4, 2007 and [www.savingsbond.gov](http://www.savingsbond.gov), October 30, 2007.

## Family Wealth facts

### Percentage of Americans with Emergency Funds

All Households	40%
Young People (18-24)	19%
Lower-income (under \$25,000)	23%
African-Americans	31%
Hispanic-Americans	32%

### Percentage of Emergency Savers who Save Automatically

Transfer from Checking to Savings	52%
Direct Payroll Deposits to Savings	31%

**Source:** Survey of Emergency Savings Needs, commissioned by CFA and conducted by Opinion Research Corporation, February 2007.

## Savings Strategies

# Automatic Saving is Successful Saving

Most Americans who save and build wealth effectively do so "automatically." In other words, they set up regular, automatic deposits that, over time and with the aid of interest compounding, accumulate to significant levels. For example, a regular \$200 monthly deposit earning only five percent annually over a 40-year period will build to more than \$300,000.

The most publicized kind of automatic saving is saving at work, through contributory retirement programs like 401(k)s.

Another popular automatic savings strategy consists of instructing one's bank or credit union to automatically transfer funds from checking to savings or investments every month or pay period. But low- and lower-middle-income Americans have saved even larger amounts by paying off home mortgages, another form of automatic saving.

Through a combination of just these three savings strategies, most young middle-income Americans can realistically hope to build assets of more than \$1 million during their lifetime. Here are the most effective ways to do so.

### Saving at Work

Most working Americans participate either in a pension or a contributory retirement program like a 401(k) or 503(b), or the federal government's Thrift Savings Plan. As more and more traditional pension plans are converted into 401(k) programs, it becomes increasingly important for employees to contribute adequately to such plans.

This is especially the case when employers match employee contributions. Many employers offer a 50 percent or 100 percent match, up to a certain percentage of the employee's salary. For most Americans, this employee match represents the largest sum of essentially free money they will receive during their adult lives.

An additional advantage of contributory retirement savings programs is that participants make contributions with pre-tax dollars.

### Saving through Home Ownership

More than three-fifths of American families have built wealth by making regular home mortgage payments. For low- and moderate-income homeowners, home equity makes up more than four-fifths of their net wealth.

Until recently, the powerful desire of homeowners to retain their homes, combined with affordable monthly payments, resulted in payments that were virtually "automatic." In the past few years, however, increasing sales of so-called "exotic" mortgages, often with sub-prime or even predatory pricing, have increased delinquency rates, making some payments less assured.

Yet, a large majority of homeowners with mortgages make monthly payments on time.

For these, home ownership remains a valuable form of automatic saving.

### Saving through a Bank or Credit Union

Directing your bank or credit union to regularly transfer funds from checking to saving or investments is another popular automatic savings strategy. Many affluent Americans contribute to stock mutual funds in this way. But this strategy is even more important for lower-income households with inadequate emergency funds.

The typical annual amount of emergency spending – to cover unexpected expenditures ranging from car repairs to emergency medical treatment – is \$2,000. So it is wise for most families to maintain an emergency fund that is at least this large. But research shows that even a "rainy day" fund of only \$500 dramatically reduces the chances of bouncing checks or being forced to take out payday loans.

Having your bank or credit union transfer just \$50 a month from checking to savings will accumulate more than this amount in a year.

One way to enhance the effectiveness of each of these three automatic savings strategies is to increase amounts you save as your income increases. For example, you could ask your employer to add one percentage point of any wage or salary increase to your retirement savings contribution. Or, you could increase your monthly mortgage payments, increasing your home equity more rapidly and bringing closer the time when expensive mortgage payments are no longer a drain on family budgets. Similarly, you could increase monthly transfers from checking to saving by \$5, \$10, \$25, \$50, or even \$100 a month.

### Saving through Automatic Debt Repayment

Some families overburdened with debts can benefit by another type of automatic payment that increases net wealth by reducing debt. Non-profit credit counseling agencies offer "debt management programs," in which they automatically distribute a certain percentage of the debtor's paychecks to creditors. Under these programs, the creditors agree to accept partial payments as long as payments are made regularly.

These programs cannot work if debts are so large they never can be repaid, but they can be useful if debtors need help managing affordable debt burdens. An added advantage is that some participating creditors will lower interest obligations.

For most Americans, the only effective way to save is automatically. Start doing so today, even if initial deposits are quite modest. Regular deposits over time, aided by the "miracle" of interest compounding, will add up.

# A Quarter **Saved** is a Quarter **Earned**

**N**o one knows better than *Savers* how to find the extra dollar here and quarter there that, over time, add up to substantial savings.

Experts agree that the most successful saving is automatic saving. Saving automatically is more than transferring funds from a checking to a savings account. It includes developing habits that make saving part of a routine. Here are some tips to help you make your savings automatic.

Request that your bank transfer \$25 per week from your checking account to your savings account. At the end of year, you'll have saved \$1300. Take that money and put it into a certificate of deposit and watch your money grow!

IRENE DORAN  
PARMA, OH

My husband's and my paychecks are direct deposited. We established several automatic account disbursements that are triggered by this deposit, including a car fund and a vacation fund. This is a painless way to save for big expenditures, since we never see the money!

NANCY CALLAGHAN  
EUGENE, OR

I save a lot of money by doing a monthly overhaul of my car. No mechanical ability is required, and it takes only fifteen or twenty minutes. There are plenty of books to help you. This routine helps me avoid breakdowns and increases the life span of my vehicle – both of which save me money.

MARK JARRELL  
DOVER, DE

One of the money saving ideas that's used in my family may seem simple, but it's a great habit to develop. Each time you're about to

make a purchase, ask yourself, "Do I NEED this?" Answer yourself honestly. This habit of personal discipline can save you a lot of money.

DAVE KNIGHT  
PASADENA, CA

When our insurance company notified us that there would be a monthly charge for paper statements, we arranged to have the payment automatically deducted from our checking account. We did the same for our mortgage payment and received a lower rate. No more worries about late payments, writing checks, or buying stamps!

JANICE APPLEBEE  
BOUNTIFUL, UT

When I paid off my mortgage in late 2006, I decided to continue to make the payment, only now it went automatically into my emergency fund. At \$250 per month, the savings are piling up nicely.

ANNE ATHELING  
BOSTON, MA

I have a son who is a free spender. To curb this habit, I instituted an automatic "payroll deduction" plan on his allowance. Each week a percentage is withheld for mandatory savings. This was a painless way to make him save. He didn't understand the benefit of this in the beginning, but years later he was pleasantly surprised to see the balance on his savings account statement.

RENEE CRUMITY  
VALRICO, FL

Enroll in your employer's flexible spending program for childcare and/or medical expenses. These programs usually reimburse you via check. Deposit these checks into a savings account. The beauty of this is that the money is never taxed!

BRET ZBORAC  
SPRINGFIELD, IL

## Send your savings tips to:

*American Saver*, c/o Consumer Federation of America, P.O. Box 65686, Washington, D.C. 20035-5686.

If we select your tip for publication, we will send you a \$50 EE Series Savings Bond (initial value \$25). Please include your name, mailing address, and phone number so we can contact you to arrange for your savings bond.

Four years ago, I opened 529 college savings accounts for each of my two children. The initial deposit was \$1,000, followed by \$50 a month thereafter. Today one is worth \$4,223 and the other \$7,626. The difference? The second one is connected to a credit card that automatically pays back two percent into the account. That's over \$3,400 of free money!

GWENDOLYN HOLBROW  
FRAMINGHAM, MA

## American Saver

*American Saver* is the quarterly newsletter of the America Saves campaign, a national program to encourage and assist Americans to save and build wealth more effectively.

The campaign is coordinated by the non-profit Consumer Federation of America (CFA), supported by national foundations, and advised by dozens of non-profit, government, and business groups. A generous grant from the New Century Financial Corporation supports the publication and distribution of the *American Saver*.

Questions about how to start a local savings campaign in your area should be directed to: Nancy Register, America Saves, c/o CFA, P.O. Box 65868, Washington, D.C. 20035-5686; 202-387-6121 (phone); 202-265-7989 (fax); nregister@consumerfed.org.

*American Saver* Editor: Barbara Roper

# News

## FROM LOCAL CAMPAIGNS

*Note: This is not an exhaustive list of the activities of all America Saves sites, but rather a sampling of activities from several of the local campaigns. For a more complete list of America Saves campaigns, be certain to visit our website at [www.americasaves.org](http://www.americasaves.org).*

**Charlotte Saves** hosted "Money Fest" in October in partnership with Charlotte's Tax Prep Coalition and the Charlotte chapter of the Financial Planners Association (FPA). Over 50 people attended the event. FPA members evaluated attendees' budgets and financial plans. IBM and 100 Black Men donated the use of computers, so participants could obtain and review their credit reports. Charlotte Saves plans to make this an annual event.

**Cleveland Saves** enrolled its 10,000th Saver in September. A special luncheon was held in November to honor both Savers and campaign volunteers. Cleveland sponsored its fifth annual Roll Your Change Week in October. Nearly 500 branches of 17 financial institutions participated by accepting rolled or loose coins from residents of the greater Cleveland area.

**Military Saves** Director Sarah Shirley visited Navy and Marine Corps bases in Japan in October to recognize team members who organized successful campaign events in 2007 and to learn about their plans for 2008. She talked to service members about building wealth by saving automatically. Author and TV host Kelvin Boston gave his presentation, "Who's Afraid to Be a Millionaire?"

**North Carolina Saves** participated in the Financial Education and Asset Building Conference in Chapel Hill in early October. Saves coordinators along with close to 400 other participants had the opportunity to participate in a host of expert-led workshops on topics such as foreclosure prevention, credit scoring, affordable housing, entrepreneurship, individual development accounts, Earned Income Tax Credit, predatory lending, and assets for persons with disabilities.

**Northwoods Saves** (WI) is collaborating with Nicolet College to sponsor financial education classes for the student body this November. This effort is a part of Money Smart Week, a Wisconsin statewide public awareness campaign created by Wisconsin Governor Jim Doyle. Nicolet students will attend classes on budgeting, credit and debt, and investing.

**Ohio Valley Saves** (WV) has already enrolled 924 Savers, and the campaign hasn't yet reached its one-year anniversary. The campaign is working with the state Earned Income Tax Credit coalition and plans to spread its savings message at Volunteer Income Tax Assistance sites during the upcoming tax season. Plans are also underway to take the cam-

paigned statewide so all West Virginians can enroll as Savers. The campaign is in discussions with the State Treasurer's office on how Saves can be implemented in local schools.

Pacific Marine Credit Union and USA Federal Credit Union have agreed to co-chair **San Diego Saves Week** 2008. Both institutions have a strong local presence as well as a history of serving military communities in the United States and around the world.

Wachovia donated \$10,000 and sent volunteers to schools across the state as part of **Texas Saves' Teach Children to Save Day**. The volunteers delivered youth customized Money Wi\$e presentations that focused on the importance of savings. These efforts resulted in the enrollment of 260 youth Savers.

Members of **Wisconsin-based Saves** groups hosted State Treasurer Dawn Maris Saas at their strategy session in early October. The Treasurer voiced her support for both the campaign and Saves Week. The campaigns discussed ways to collaborate for Saves Week 2008, including the adoption and promotion of a shared theme and the development of a Wisconsin Saves website.

[www.AmericaSaves.org](http://www.AmericaSaves.org)

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